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Message Text

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67
ORIGIN EA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15

STR-04 TRSE-00 FRB-03 FEA-01 /085 R

DRAFTED BY EA/IMS:ECINGRAHAM:LGR
APPROVED BY EA - WILLIAM H. GLEYSTEEN
---------- 007843
R 021947Z MAY 75
FM SECSTATE WASHDC
TO AMEMBASSY KUALA LUMPUR

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E.O. 11652: NA

TAGS: ETRD, ENRG, MY

SUBJECT: EFFECT ON NEW PETROLEUM ACT ON U.S. COMPANIES

REF: KUALA LUMPUR 2197.

1. ESSO EASTERN PRESIDENT M. E. J. O'LOUGHLIN AND PARTY CALLED ON DEPUTY ASSISTANT SECRETARY GLEYSTEEN APRIL 30 TO EXPRESS COMPANY'S CONCERN OVER NEW PETROLEUM ACT AMENDMENT AND TO DESCRIBE ADDITIONAL PROBLEM THAT HAS JUST DEVELOPED AS RESULT NEW PETRONAS RULING ON SHARING OF INCOME FROM OIL PRODUCTION.

2. ESSO OFFICIALS DISCUSSED PETROLEUM ACT AMENDMENT ALONG SAME LINES AS IN THEIR EARLIER CONVERSATIONS WITH EMBASSY IN KUALA LUMPUR. AT CONCLUSION, THEY LEFT MEMO SUMMARIZING THEIR COMMENTS AND DESCRIBING HOLDINGS IN MALAYSIA WHICH ARE THREATENED BY NEW ACT. (COPY OF MEMO BEING POUCHED
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EMBASSY.)

3. WITH REGARD PROBLEM OF INCOME FROM PRODUCTION OPERATIONS, ESSO OFFICIALS SAID PETRONAS HAD JUST ORALLY INFORMED THEM

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THAT, AT LEAST FOR INTERIM PERIOD, THEY WOULD BE PERMITTED TO RETAIN ONLY SIX TO SEVEN PERCENT OF INCOME FROM SALE OF CRUDE OIL FROM THEIR MALAYSIAN PRODUCTION, WITH BALANCE TO BE TURNED OVER TO PETRONAS. PROCEEDS THEY WERE PERMITTED TO RETAIN, THEY STRESSED, AMOUNTED TO FAR LESS THAN COST OF PRODUCTION. IF PETRONAS INSISTED ON MAINTAINING THIS DIVISION, COMPANY WOULD HAVE TO CONSIDER SHUTTING DOWN ITS MALAYSIAN PRODUCTION.

4. GLEYSTEEN ASSURED ESSO OFFICIALS THAT WE FULLY SHARED THEIR CONCERN OVER THESE PROBLEMS AND, AS THEY KNEW, HAD RAISED MATTER OF PETROLEUM ACT WITH GOM AT VARIOUS LEVELS. O'LOUGHLIN COMMENTED THAT HE WAS FAMILIAR WITH AMBASSADOR UNDERHILL'S MOST HELPFUL EFFORTS IN THIS REGARD AND WAS GRATEFUL FOR THEM. PROBLEM WE FACED, GLEYSTEEN CONCLUDED, WAS ONE FINDING MOST EFFECTIVE TACTICS TO DISSUADE MALAYSIANS FROM TAKING STEPS THAT WILL DAMAGE U.S. INTERESTS WITHOUT PRESSING THEM TO POINT WHERE OUR EFFORTS BECOME COUNTER-PRODUCTIVE. KISSINGER

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